

## On Line Appendix: Explanation of Table 2:

The results in the Table combine the sample of Doing Business Indicators with the Enterprise Survey database for the years 2006-2011. The set of countries covered in DBI 2006-2011 is the same as the set covered in the years 2004-2011.

In all columns of Table 2, the estimated equation is of the form

$$ES_{i,t} = \alpha + \beta DB_{i,t} + \gamma y_{i,t} + u_t + v_{it} \quad (1)$$

where  $ES_{i,t}$  is the answer to a specified Enterprise Survey question of the average firm in a country and year,  $DB_{i,t}$  is the set of indicators in a given Doing Business topic,  $y_{i,t}$  is the logarithm of per capita GDP in PPP constant 2005 international dollars, and  $\tau_t$  is a time-dummy.

The manufacturing and services sectors are the primary business sectors of interest in the Enterprise Surveys, and formal (registered) companies with 5 or more employees are targeted for interview. The Enterprise Surveys stratify on firm size, business sector, and geographic region within a country.

Seven variables have been created in the Enterprise Survey databases, based on the Core Module. They are, in order of presentation in Table 2:

- 1) *Is access to finance the most serious obstacle to operation and growth of your establishment?*  
Coded with value 1 if “Access to finance (availability and cost)” is listed as the most serious obstacle out of a list of 15 possible obstacles; coded value 0 otherwise.
- 2) *Is access to financing, which includes availability and cost, No Obstacle, a Minor Obstacle, a Moderate Obstacle, a Major Obstacle, or a Very Severe Obstacle to the current operations of this establishment?*  
Coded with increasing value as the obstacle becomes more severe. Value between 0 and 4.
- 3) *If business licensing and permits the most serious obstacle to operation and growth of your establishment?*  
Coded with value 1 if “Business licensing and permits” is listed as the most serious obstacle out of a list of 15 possible obstacles; coded value 0 otherwise.
- 4) *Is the court system licensing and permits the most serious obstacle to operation and growth of your establishment?*  
Coded with value 1 if “Courts” is listed as the most serious obstacle out of a list of 15 possible obstacles; coded value 0 otherwise.
- 5) *Is the court system No Obstacle, a Minor Obstacle, a Moderate Obstacle, a Major Obstacle, or a Very Severe Obstacle to the current operations of this establishment?*  
Coded with increasing value as the obstacle becomes more severe. Value between 0 and 4.
- 6) *Are customs and trade regulations the most serious obstacle to the operation and growth of your establishment?*  
Coded with value 1 if “Customs and trade regulation” is listed as the most serious obstacle out of a list of 15 possible obstacles; coded value 0 otherwise.
- 7) *Are customs and trade regulations No Obstacle, a Minor Obstacle, a Moderate Obstacle, a Major Obstacle, or a Very Severe Obstacle to the current operations of this establishment?*

Coded with increasing value as the obstacle becomes more severe. Value between 0 and 4.

Country-year survey specific sampling weights are applied to calculate the average response within each country. The variable  $ES_{i,t}$  is then the average firm's response to one of these 7 questions in a given country-year.

Each regression estimates (1), regressing an average-firm response  $ES_{i,t}$  on the set of Doing Business indicators of the topic considered most related to the firm question. The reported sign is the sign of the estimated coefficient for that specific Doing Business indicator; a star denotes significance at 5%, based on heteroscedasticity-consistent standard errors.

In Column (1), the regression is estimated for each of the ten Enterprise Survey questions, using the whole sample of firm responses in all countries.

In Cols. (2)-(4), the same equation is estimated, but where the  $ES_{i,t}$  response is only based on firms that are small ( $\leq 20$  employees); medium ( $> 20$  and  $\leq 100$  employees); and large ( $> 100$  employees). The results are in respectively, Col.2, Col.3 and Col.4.

In Cols. (5)-(6), the sampling restriction to construct average firm responses is based on the distinction of whether the firm surveyed is located in the capital city of the country or not. In Col. 5, the  $ES_{i,t}$  is computed using only responses from capital city firms; and in Col.6, only from non-capital city firms.

In Cols. (7)-(8), the sampling restriction is based on whether the surveyed firm reported its legal status to be "Private held, limited liability company" or not. Alternative statuses were: "Publicly listed company"; "Sole proprietorship"; "Partnership"; "Limited Partnership"